

Instructions for Form 1023

(Revised October 8, 2002)

Application for Recognition of Exemption under Section 501(c)(3) of the Internal Revenue Code

Note: *Retain a copy of the completed Form 1023 in your permanent records. See **Public Inspection of Form 1023** regarding public inspection of approved applications.*

Make sure your application (Form 1023) is complete with the following items:

- ☐ An appropriate user fee payment
- ☐ Completed Parts I through XI of the application, including any required attachments, itemized lists, financial data, and any required Schedules A through H.
- ☐ An exact copy of your complete organizing documents. Absence of the proper purpose and dissolution clauses is the number one reason for delays in the issuance of determination letters.
- ☐ A detailed description of your specific activities
- ☐ A signature of an officer, director, or trustee who is authorized to sign the application or an individual authorized by Form 2848, Power of Attorney and Declaration of Representative.
- ☐ Your name and employer identification number (EIN) on each page of the application.
- ☐ The name, e-mail, phone and fax number of an officer, director, trustee or other knowledgeable person who is available for contact during normal business hours

See **Where to File** in the General Instructions for the address to send your completed application.

Overview of Section 501(c)(3) Organizations

Qualification of a "Section 501(c)(3) Organization"

Organizations that qualify for exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code are generally eligible to receive tax deductible contributions. To qualify, the organization must have an exempt purpose. Exempt purposes include: religious, charitable, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, or the prevention of cruelty to children or animals.

A qualified organization must be a corporation, trust, or unincorporated association. Individuals and partnerships generally will not qualify for tax-exempt status. Furthermore, the organization must meet the following requirements:

- It must be organized and operated exclusively for a charitable purpose,
- Net earnings may not inure to the benefit of any private individual or shareholder,
- No substantial part of its activity may be attempting to influence legislation,
- It may not intervene in political campaigns, and
- No part of the purposes or activities may be illegal or violate fundamental public policy.

Benefits of Exempt Status

Section 501(c)(3) status provides direct benefits such as:

- Exemption from Federal income tax.
- Public recognition of tax-exempt status.
- Advance assurance to donors of deductibility of contributions.
- Exemption from certain Federal excise taxes.

Section 501(c)(3) status may help to obtain indirect benefits such as:

- Exemption from certain state or local taxes. (We do not issue

"tax exempt numbers" or "tax exempt certificates" for state or local sales or income taxes. If you need exemption from these taxes, contact your state or local tax offices.)

- Nonprofit mailing privileges from the Postal Service.

Jeopardizing Tax-Exempt Status

All charitable organizations must abide by certain rules. If these rules are not adhered to, the organization may lose its tax-exempt status.

Inurement to Insiders

All organizations exempt under section 501(c)(3) are prohibited from engaging in activities that result in inurement of the organization's assets to insiders (that is, persons having a personal and private interest in the activities of the organization). Insiders include board members, officers, and in certain circumstances, employees. Examples of prohibited inurement to insiders include paying of dividends, the paying of unreasonable compensation, and transferring property for less than fair market value. The prohibition against inurement to insiders is absolute; therefore, any amount of inurement may be grounds for loss of tax-exempt status. In addition, the insider involved may be subject to excise taxes. (See the discussion of excess benefit transactions below.) Note prohibited inurement does not include reasonable payments for services rendered, payments that further tax-exempt purposes, or fair market value payments made for real or personal property.

Excess Benefit Transactions

Where a section 501(c)(3) organization provides an excess economic benefit to an insider, both the organization and the insider have engaged in an "excess benefit transaction." The IRS may impose an excise tax on any insider who improperly benefits from an excess benefit transaction, as well as on organization managers who participate in such a transaction knowing that it is improper. An

insider who benefits from an excess benefit transaction must also return the excess benefits to the organization. Detailed rules on excess benefit transactions are contained in the Code of Federal Regulations, Title 26, Sections 53.4958-0 through 53.4958-8.

Private Benefit

An organization's activities must be directed exclusively toward charitable, educational, religious or other exempt purposes. (It should be noted that in this context, "exclusive" does not mean 100%.) An organization's activities may not serve private interests. Rather, beneficiaries of an organization's activities must be part of a charitable class (such as an indefinite group of poor or distressed persons) or the community at large (for example, through the operation of a hospital or a library). Private benefit differs from inurement to insiders in two respects:

- Private benefit may occur even if the persons benefited are not insiders.
- Also, private benefit must be substantial in order to jeopardize exempt status.

Substantial Lobbying

In general, an organization may not qualify for section 501(c)(3) status if a substantial part of its activities is attempting to influence legislation ("lobbying"). An organization may engage in some lobbying, but if it has too much lobbying activity, it risks loss of tax-exempt status.

Legislation includes action by Congress, any state legislature, any local council or similar governing body, with respect to acts, bills, resolutions or similar items (such as legislative confirmation of appointive offices) or by the public in a referendum, ballot initiative, constitutional amendment or similar procedure. It does not include actions by executive, judicial or administrative bodies.

Organizations may involve themselves in issues of public policy without the activity being considered lobbying. For example, organizations may conduct

educational meetings, prepare and distribute educational materials, or otherwise consider public policy issues without jeopardizing their tax-exempt status. In addition, organizations may appear before a governmental body about a possible decision of that body that may affect the organization's existence.

Political Campaign Intervention

All section 501(c)(3) organizations are absolutely prohibited from directly or indirectly participating in or intervening in any political campaign on behalf of (or in opposition to) any candidate for elective public office. Contributions to political campaign funds or public statements of position (verbal or written) made by or on behalf of the organization in favor of or in opposition to any candidate for political office clearly violate the prohibition against political campaign activity. Violation of this prohibition may result in denial or revocation of tax-exempt status and the imposition of excise taxes.

For example, voter education activities (including the presentation of public forums and the publication of voter education guides) conducted in a non-partisan manner are not prohibited. In addition, activities intended to encourage people to participate in the electoral process, such as voter registration and get-out-the-vote drives, are not prohibited political campaign activity if conducted in a non-partisan manner. On the other hand, voter education or registration activities with evidence of bias that (a) favors one candidate over another, (b) oppose a candidate in some manner, or (c) has the effect of favoring a candidate or group of candidates, is prohibited participation or intervention.

Public Charity versus Private Foundation

Every organization that qualifies for exemption under section 501(c)(3) is also classified as either a "public charity" or a "private foundation." This classification is important because different tax rules apply to the operations of each. Each classification has different annual

reporting requirements and some organizations/donors may only be willing to contribute to organizations that are "public charities."

Organizations are treated as private foundations unless they are specifically excepted. The exceptions are as follows:

- Organizations that meet certain specific charitable purposes—Churches, schools, organizations providing medical or hospital care (including providing medical education and in certain cases, medical research), and federal, state, or local governmental agencies.
- Organizations that receive funds from many sources and/or the government —There are two different "support tests." In the first test, an organization must generally receive at least one-third of its total support from governmental agencies, contributions from the general public and contributions or grants from other public charities. In the second test, an organization must receive at least one-third of its total support from gifts, grants, contributions, membership fees and from gross receipts that accomplish its exempt purpose. However, the organization's investment income and net unrelated business taxable income may not exceed one-third of its total support. Under the tests, the amount of contributions or gross receipts from a single payer that may be included in the calculations is limited.

These are very detailed tests with specific rules that differ for each test. Review the specific instructions when making the calculations. These tests also require on-going record keeping (for example, tracking amounts received from significant donors every year). Finally, the financial budgets that are submitted with the application should be consistent with the selected classification.

- Organizations that support other public charities —this exception is generally based on the relationship of the charitable organization to another public charity. To qualify for this exception, the organization must again meet specific requirements. Generally it:

1. Must be organized (organizing documents must include necessary relationship language) and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of another public charity,
2. Must be operated, supervised, or controlled by or in connection with the public charity it is supporting (this is commonly accomplished through board control or overlap), and
3. Cannot be controlled by a "disqualified person" such as a major contributor.

If the section 501(c)(3) organization cannot meet one of these specific exceptions, it is a private foundation. (Please note that the classification as a "private foundation" has nothing to do with the name of the organization. There are many organizations that include the word "Foundation" in their names that are NOT private foundations for tax purposes.)

Private Operating Foundations

A private foundation that lacks general public support but actively conducts its exempt programs – as opposed to making grants to other organizations –may be treated as a private operating foundation. A private operating foundation is a blend of a public charity and a private foundation. In order to be classified as a private operating foundation, an organization must meet certain support tests. For more information, see IRS Publication 578, *Tax Information for Private Foundations and Foundation Managers*.

General Instructions

Purpose of Form

Form 1023 is filed by organizations to apply for recognition of exemption from federal income tax under section 501(c)(3). Upon approval, the IRS will issue a determination letter that provides written assurance about the organization's tax-exempt status, and its qualification to receive tax-deductible contributions under section 170. Every organization that qualifies for exemption under section 501(c)(3) will also receive another important classification. Each charitable organization will be classified as either a "public charity" or a "private foundation."

Other organizations that apply for tax-exempt status under section 501(c)(3) by filing Form 1023 include section 501(e) and (f) cooperative service organizations, section 501(k) childcare organizations, and section 501(n) charitable risk pools.

For Assistance

For help in completing this form or general questions relating to an exempt organization, including expedite requests, call our Exempt Organization Customer Service toll free at 1-877-829-5500. The hours of operation are from 8:00 a.m. to 6:30 p.m. Eastern Time. Also, you can visit our website at www.irs.gov and look for information on "Charities and Non-Profits."

IRS has a number of publications that may be helpful to your organization. To order free IRS publications, call the IRS at (800) 829-3676. Download IRS publications at www.irs.gov.

Publication 557, *Tax-Exempt Status for Your Organization*

Publication 578, *Tax Information for Private Foundations and Foundation Managers*

Publication 598, *Tax on Unrelated Business Income of Exempt Organizations*

Publication 1771, *Charitable Contributions Substantiation and Disclosure Requirements*

Publication 1828, *Tax Guide for churches and Religious Organizations*

Publication 3833, *Disaster Relief - Providing Assistance through Charitable Organizations*

Access Publication 78, *Cumulative List of Organizations described in Section 170(c) of the Internal Revenue Code of 1986*, for a list of qualified charitable organizations and their classification at www.irs.gov.

"Section"

Section references are to the Internal Revenue Code unless otherwise noted.

"You" and "Us"

Throughout these instructions and Form 1023, the terms "you" and "your" refer to the organization that is applying for tax-exempt status. The terms "us" and "we" refer to the Internal Revenue Service.

Obtaining Tax-Exempt Status

Generally, a new organization with actual or anticipated annual total receipts over \$5,000 must apply to the IRS for recognition of tax-exempt status under section 501(c)(3). Churches, synagogues, temples, and mosques are not required to – but may – apply for tax-exempt status.

To apply, file Form 1023, *Application for Recognition of Exemption under Section 501(c)(3)*, and pay the appropriate fee.

Form 1023 asks you to complete a series of questions and to provide information to assist the IRS in determining if the organization meets the requirements for tax exemption under section 501(c)(3). One of the key pieces of information requested is financial data. This data, whether budgeted or actual, should be consistent with other information presented in the application. For example, if you are requesting public charity status under one of the support tests, the financial data should show contributions or receipts from providing exempt services from multiple donors or payers. Budgeted financial data should be prepared based upon your current

plans. We recognize that the organization's actual financial results may vary from the budget.

New Group Rulings

Generally, Form 1023 is not used to apply for a group exemption letter. See Publication 557 for information on how to apply for a group exemption letter.

Leaving a Group Ruling

If a subordinate organization in an existing group ruling wishes to apply for an individual determination letter, it should notify its parent organization of its intention to leave the group ruling before filing Form 1023.

User Fee

The law requires payment of a user fee with each application for a determination letter. Submit the appropriate user fee based on your average annual gross receipts as indicated on Form 1023. A certified check or money order made payable to the United States Treasury will enable the application to be processed quicker.

What to File

All applicants, unless otherwise noted, must complete pages 1 through 7 of Form 1023, including any required attachments and itemized lists.

The following organizations must complete additional schedules to Form 1023:

- Churches (Schedule A)
- Schools, Colleges, and Universities (Schedule B)
- Hospitals and Medical Research Organizations (Schedule C)
- Section 509(a)(3) Supporting Organizations (Schedule D)
- Organizations not Filing Form 1023 within 27 Months of Formation (Schedule E)
- Homes for the Elderly or Handicapped (Schedule F)
- Successors to "For Profit" Organizations (Schedule G)
- Organizations Providing Scholarship Benefits, Student

Aid, etc., to Individuals
(Schedule H)

Attachments and Itemized Lists

For any attachments or itemized lists submitted with your Form 1023:

- Include your name and employer identification number (EIN),
- Identify the Part and item number to which the attachment or itemized list relates, and
- Use 8½ x 11-inch paper.

Include any court decisions, rulings, opinions, etc., that will assist processing of the Form 1023.

Generally, attachments in the form of tape recordings or other electronic media are not acceptable unless accompanied by a transcript.

Assembly of Application Package

Application packages should be assembled in order to assist clerks in processing and to allow for determination specialists to review the package more quickly. Document binding should be kept to a minimum. Clips or staples are preferred. Documents should be submitted in the following order:

- User fee check attached
- Form 2848, Power of Attorney and Declaration of Representation
- Application (Form 1023 and Schedules A - H, as required)
- Organizing document
- Amendments to organizing document in chronological order
- Bylaws or other rules of operation
- Any other financial data
- Documentation for nondiscriminatory policy for schools, as required by Schedule B
- All schedules and statements submitted as part of the application
- Miscellaneous correspondence
- Printed materials or publications

When to File

If you were formed after October 9, 1969, you must file Form 1023 to be

recognized as exempt under section 501(c)(3). Generally, if you file Form 1023 within 27 months after the end of the month in which you were legally formed, and we approve the application, the legal date of formation will be the effective date of exempt status.

If you do not file the Form 1023 within 27 months of formation, you may not qualify for exempt status prior to the received date of the Form 1023. For exceptions and special rules, including automatic extensions, see Schedule E of Form 1023.

The received date of the Form 1023 is generally the postmark date.

Where to File

Send completed Form 1023, user fee payment, and all other required information, to:

Internal Revenue Service
P.O. Box 192
Covington, KY 41012-0192
If you are using express mail or a delivery service, send Form 1023, user fee payment, and all other required information to:

Internal Revenue Service
201 West Rivercenter Blvd.
Attn: Extracting Stop 312
Covington, KY 41011

Exemption applications are filed at our Covington, Kentucky, facility before being forwarded to Cincinnati, Ohio, for processing.

Signature Requirements

An officer, director, or trustee who is authorized to sign or an individual authorized by Form 2848, Power of Attorney and Declaration of Representative, must sign page 7 of Form 1023. Attach a completed copy of Form 2848 if applicable. Page 7 of Form 1023 must also show the title or authority of the signer and the date.

Past, Present and Planned Activities

Many questions on the Form 1023 are only in the present tense for the sake of brevity; however, your

answers should be based on your past, present and planned activities.

Language and Currency Requirements

Prepare Form 1023 and attachments in English. Provide an English translation if the organizational document or bylaws are in any other language.

We may ask you to provide English translations of foreign language publications you submit with the Form 1023.

Report financial information in U.S. dollars (specify the conversion rate used). Combine amounts from within and outside the United States and report the total for each item on the financial statements.

After You Submit Form 1023

We will acknowledge receiving your application in writing. You may expect to receive this notice within 21 days of the postmark date of the Form 1023. Read the notice thoroughly because it will provide further information about the processing of the Form 1023.

If our initial review shows that we need no additional information or changes, we will send you a letter stating that you are exempt under section 501(c)(3).

If the initial review shows that we need additional information or changes, however, we will assign the Form 1023 to a specialist in Cincinnati or in another office who will call or write you. We assign applications in the order we receive them, unless the application is approved for expedited processing.

If the additional information indicates that you qualify, we will send you a letter stating that you are exempt under section 501(c)(3). If we conclude that you do not qualify for exemption, we will send you a letter that explains our position and your appeal rights.

Annual Filing Requirements

If an annual information return or tax return is due while Form 1023 is pending, complete the return,

mark "Application Pending" in the heading and send the return to the address indicated in the instructions.

Information on filing requirements and exceptions may be found in Publications 557 and 598 and in the instructions to the following returns:

1. Form 990, *Return of an Organization Exempt from Income Tax*, for section 501(c)(3) public charities
2. Form 990-EZ, *Short Form Return of an Organization Exempt from Income Tax*, for section 501(c)(3) public charities whose gross receipts during the year were less than \$100,000 and total assets at the end of the year were less than \$250,000
3. Schedule A (Form 990 or 990-EZ), *Organization Exempt under Section 501(c)(3)*, for section 501(c)(3) public charities
4. Schedule B (Form 990, 990-EZ, or 990-PF), *Schedule of Contributors*, for all section 501(c)(3) organizations
5. Form 990-PF, *Return of Private Foundation*, for private foundations, including private operating foundations.
6. Form 990-T, *Exempt Organization Business Income Tax Return*, for public charities and private foundations that have gross unrelated business income greater than \$1000.

All Forms 990 must be filed on or before the 15th day of the 5th month following the close of the charity's tax year. An automatic three-month extension of time to file is available, as well as an additional non-automatic three-month extension. For example, for a calendar year organization Form 990 is due by May 15th of the following year. The return may be automatically extended to August 15th by making a request on Form 8868, *Application for Extension of Time to File an Exempt Organization Return*. If additional time is needed, you may request an extension until November 15th by filing another Form 8868.

NOTE: You may also be required to file other returns, such as employment tax returns or benefit plan returns, which are not discussed here.

Public Inspection

If we approve exempt status under section 501(c)(3), the following information will be open for public inspection:

- Your complete Form 1023 and any supporting documents
- All correspondence between you and us about the Form 1023
- The letter we issue approving your exemption
- Annual returns (Forms 990, 990-EZ, or 990-PF)
- Schedule A, included with Forms 990 or 990-EZ
- Schedule B, included with Forms 990 or 990-EZ, other than the names and addresses of contributors and other identifying information about contributors
- Schedule B, included with Form 990-PF, including names, addresses and other identifying information about contributors

The following items will not be open for public inspection:

- Any information relating to a trade secret, patent, style of work, or apparatus that, if released, would adversely affect you (The IRS must approve withholding this information.)
- Any other information that would adversely affect the national defense (The IRS must approve withholding this information.)
- *Information only* applications from the United States Virgin Islands Bureau of Internal Revenue (BIR) and related supporting documents
- Contributor names and addresses and identifying information about contributors included with Forms 990 or 990-EZ and the Schedule B
- Form 990-T, *Exempt Organization Business Income Tax Return*

When applying for tax exempt status, you must clearly identify any information that is not open for public inspection by separately marking it as "NOT SUBJECT TO PUBLIC INSPECTION" and attaching an explanation of why you are asking for the information to be withheld. We will decide whether or not to withhold the identified information from public inspection.

Both you and we must make the information available for public inspection. The public may contact us toll-free at 1-877-829-5500 to request public inspection or copies of the information. The public may also request inspection of the information or a copy of the information directly from you.

An exempt organization may post the documents required to be available for public inspection on its own website. The return and exempt status application materials must be posted exactly as filed with the IRS. Only the information that is not open for public inspection may be deleted. If an exempt organization posts the documents on its website, the organization may inform a requestor of the website address where the documents are available on-line, rather than providing them for in-person inspection or by copying the requested forms. Documents are not considered available for public inspection on a website if the otherwise disclosable information is edited or subject to editing by a third party when posted. To date, the IRS has not approved any third party websites for posting.

Refer to Publication 557 for additional guidance on public inspection.

Contributions – Substantiation and Disclosure Rules

You should be aware of two general rules to meet substantiation and disclosure requirements for Federal income tax purposes:

- A donor must obtain a written acknowledgment from a charitable organization for any single contribution of \$250 or more before the donor can

claim a charitable contribution on his or her Federal income tax return.

- A charitable organization is required to provide a written disclosure to a donor who receives goods or services in exchange for a single payment in excess of \$75, which informs the donor that only the contribution amount that exceeds the value of the goods or services qualifies for a charitable contribution deduction. (The charitable organization must also provide a good faith estimate of the fair market value of the goods or services received.)
- A charitable organization may provide either or both of the above documents electronically. Publication 1771, *Charitable Contributions Substantiation and Disclosure Requirements*, gives information about these provisions.
- Unless contributions to you are tax deductible by treaty, a foreign organization whose gross receipts normally exceed \$100,000 must provide a statement to the donor that contributions are not deductible for United States Federal tax purposes as required by Notice 88-120, 1988-2 C.B. 454.

Solicitation of Funds

Fundraising activities are generally subject to oversight by state attorneys general or other state officials. Before conducting any fundraising activities, you should contact the attorney general of the state where you are organized and also the attorney general of any state in which you solicit funds to be certain that you are in compliance with all solicitation laws and regulations. Often the states will require additional initial and annual filings.

Unrelated Business Income Tax (UBIT)

Charitable organizations may engage in income-producing activities unrelated to their tax-

exempt purposes. However, the net income from such activities will be subject to UBIT if the following three conditions are met:

- The activity is a trade or business,
- The trade or business is regularly carried on, and
- The trade or business is not substantially related to the organization's exempt purpose. (The fact that the organization uses the income to further its charitable purposes does not make the activity substantially related to its exempt purpose.)

Even if an activity meets the above three criteria, the income may not be subject to tax if it meets one of several exceptions. Three of the most common exceptions are: (a) substantially all of the work in operating the trade or business is performed by volunteers, (b) the activity is conducted by the organization primarily for the convenience of its members, students, patients, officers, or employees, or (c) the trade or business involves the selling of merchandise substantially all of which was donated.

Whether an income-producing activity is an unrelated trade or business depends on all the facts and circumstances. Refer to Publication 598 for additional information.

Reporting Unrelated Business

If you have gross income of \$1000 or more in any taxable year from the conduct of any unrelated trade or business, you are required to file Form 990-T, *Exempt Organization Business Income Tax Return*.

- An organization that has obtained tax-exempt status under section 501(c)(3) pursuant to a group ruling must file its own Form 990-T if it has gross income of \$1000 or more in any taxable year from the conduct of any unrelated trade or business.
- However, a limited liability company that is treated as a disregarded entity by its section 501(c)(3) member

reports its gross income from the conduct of any unrelated trade or business through its member's Form 990-T.

Foreign Organizations in General

Foreign organizations are those that were legally created in countries other than the United States, its territories, or its possessions. Foreign organizations may apply for tax-exempt status on income earned in the United States in the same way that domestic organizations apply for exempt status. See *Language and Currency Requirements*, above. Also, special questions about foreign organizations, domestic organizations with foreign operations and domestic organizations that contribute to foreign organizations, can be found on Form 1023, Part VIII, items 18, 19, and 20.

Foreign organizations applying for exempt status should complete all required parts of Form 1023. There are, however, special rules below for some Canadian organizations.

Contributions by U.S. residents to foreign organizations generally are not deductible. Specific tax treaties between the U.S. and certain foreign countries provide limited exceptions.

Foreign organizations that obtain exemption are required to file information returns. A foreign organization that is a private foundation must file Form 990-PF. However, a foreign organization, other than a private foundation, may be relieved from filing Form 990 or Form 990-EZ in any year in which it has gross receipts from U.S. source income of not more than \$25,000 and has not conducted significant activity in the United States. See the *Instructions for Form 990* and *Form 990-EZ*, and the *Instructions for Form 990-PF* for further information. Foreign organizations that are subject to unrelated business income tax must file Form 990-T.

Canadian Organizations

Canadian organizations that received a Notification of Registration from the Canada Customs and Revenue Agency, formerly Revenue Canada, and whose registration has not been

revoked, do not need to complete all parts of Form 1023. They only need to provide the following:

- Copy of their Notification of Registration
- Completed page 1, Part I of Form 1023
- Completed pages 5 and 7 of Form 1023
- Completed Form 8833, Treaty-Based Return Position Disclosure Under Section 6114 or 7701(b)

Organizations Created in United States Territories and Possessions in General

Organizations created in possessions and territories of the United States are generally treated the same as domestic organizations. These organizations generally complete all required parts of the Form 1023 to apply for exempt status under section 501(c)(3). Special rules, discussed below, apply to some Virgin Islands organizations.

Charitable contributions to organizations created in United States possessions and territories are deductible by the donors if the organization qualifies for exempt status under section 501(c)(3).

Virgin Islands Organizations

The United States Virgin Islands Bureau of Internal Revenue (BIR) may request an *information only* letter in regards to the exempt status qualification under section 501(c)(3) of an organization formed in the Virgin Islands. The organization itself does not seek U.S. recognition of exempt status. The information only procedure requires the BIR to complete Form 1023 and supporting documents for the organization, but does not require a user fee payment. The application and supporting documents would not be open for public inspection (see *Public Inspection*, above, for more information).

All other Virgin Islands organizations that seek U.S. recognition of exempt status under section 501(c)(3) must follow the normal application (Form 1023) process.

Specific Instructions

Part I. Identification of Applicant

Item 1. Full Name of Organization. Enter your complete name exactly as it appears in your organizing document, including amendments. If you will be operating under another name, show it in parentheses.

Item 2. c / o Name. If you have an "in care of" name, enter it here.

Item 3. Mailing Address. Enter your complete address where you wish all correspondence to be sent.

For a foreign address, enter the information in the following order: city, province or state, and country. Follow the country's practice in placing the postal code in the address. *Do not* abbreviate the country name.

Item 4. Location Address. Enter the complete address where your books and records are kept. Only complete this item if your location address is different from your mailing address.

If you are located in a foreign country, follow the instructions in item 3, above, for a foreign address.

Item 5. Employer Identification Number (EIN). Enter the nine-digit EIN the IRS assigned to you. If you have not previously applied for an EIN, please complete Form SS-4, *Application for Employer Identification Number*, and attach it to this application and we will process this SS-4 form for you. Then, check the box "SS-4 Attached."

If you previously applied for an EIN and have not yet received it or you are unsure whether you have an EIN, please call our toll-free customer service number, 1-877-829-5500, for assistance.

You may also call (866) 816-2065 to get an EIN, or (215) 516-6999 to obtain an EIN if you are located outside the United States.

NOTE: Do not apply for an EIN more than once.

Item 6. Month the annual accounting period ends (01-12).

Enter the number of the month that your annual accounting period ends. For example, if your annual accounting period ends December 31, enter "12." Your annual accounting period is the 12-month period on which your annual financial records are based. Your first tax year could be less than 12 months.

NOTE: Please check your bylaws or other rules of operation for consistency with the annual accounting period entered in Item 6.

Item 7. Primary Contact Person.

Enter the name, phone number, e-mail and fax number of an officer, director, trustee, or person who is available for contact during normal business hours if more information is needed. Your contact person should have the authority to act on your behalf and have a working knowledge of your activities.

If the contact person is not an officer, director, or trustee, attach a completed Form 2848, *Power of Attorney and Declaration of Representative*, to Form 1023.

Item 8. Website and E-mail. Enter your complete website and e-mail addresses if you have them. Also, list any websites maintained on your behalf.

NOTE: You may wish to check the information on your website to make sure it is consistent with the information in your Form 1023.

Part II. User Fee Information

Item 1. If you answer "Yes," attach a check made payable to the United States Treasury in the amount of \$500.

If you answer "No," attach a check made payable to the United States Treasury in the amount of \$150.

NOTE: By attaching a certified check or money order made payable to the United States Treasury, your application will not be delayed pending clearance of your check.

Item 2. If you answer "No," your application may be returned to you.

Part III. Information about Your Officers, Directors, Trustees, and Their Transactions and Agreements with You

Item 1. Provide the names, titles, and mailing addresses of all officers, directors, and trustees. List a home or business address.

Item 2. Related refers to both family and business relationships. If you answer "yes," provide details about each specific relationship between the officers, directors, and trustees.

Item 3. Compensation includes salary, bonus, and any other form of payment whether for services as an employee or as an officer, director, or trustee. Reimbursement of expenses is not compensation.

If you answer "Yes," submit a breakdown of compensation for officers, directors, and trustees. For example, you may submit a brief resume for each compensated individual.

NOTE: The total amount of compensation listed should match the amount shown for Part X, Section A, item 18.

Item 4. If you answer "Yes," describe how the terms of the agreement were negotiated on your behalf. If the officer, director, or trustee participated on both sides of the negotiation, you must also explain how you resolved the conflict of interest to reach an unbiased decision.

Submit a copy of the signed agreement and any related documents.

Item 5. Substantial influence is the ability to affect decisions, such as by being a director or officer, major shareholder or owner of an exempt or for-profit entity. If you answer "Yes," explain how the terms of the transaction or agreement were reached and how you resolved the conflict of interest to reach an unbiased decision.

Submit copies of any relevant documents.

Part IV. Information about Your Members and Other Individuals and Organizations that Receive Benefits from You

Item 1. If you answer "Yes," identify each specific individual or group of specific individuals who receive benefits from you. Describe how and why you limit benefits.

NOTE: Organizations formed to benefit one specific individual do not qualify for exemption under section 501(c)(3).

Item 2. If you answer "Yes," include a sample membership application and a schedule of membership dues. Also, describe any different membership levels and the benefits each level receives.

Item 3. If you answer "Yes," identify each specific organization or group of specific organizations that receive benefits. Describe how the recipient organizations were selected. Also, indicate whether any of the recipient organizations are exempt under section 501(c)(3) or other sections of the Internal Revenue Code.

Part V. Organizational Structure

Only corporations, trusts and unincorporated associations are eligible for tax-exempt status under section 501(c)(3) of the Code. Sole proprietorships, partnerships, or loosely affiliated groups of individuals are not eligible.

To qualify for tax-exempt status, you must check "Yes" to either item 1, 2, or 3 and submit a copy of your organizing document.

Item 1. A **trust** formed under state law refers to a fiduciary or trust arrangement created by a will or during an individual's lifetime by trust agreement in which a trustee is the holder of title to property, subject to an obligation to keep or use the property for beneficiaries. The organizing document of a trust is its trust agreement.

NOTE: For trusts created under wills, include a copy of the death certificate or a statement indicating the date of death.

If your trust agreement provided for distributions for non-charitable interests, indicate the date on which these interests expired. If your trust agreement continues to provide for these interests, you will not qualify for tax-exempt status.

Item 2. An unincorporated association formed under state law must have at least two members who have signed a written document for a specifically defined purpose. The organizing document of an unincorporated association is its "articles of association."

Your organizing document must include the name of your organization, your purpose, the date the document was adopted, and the signatures of at least two individuals. If your copy does not contain the proper signatures and date of adoption, you may submit a written declaration that states your copy is a complete and accurate copy of the signed and dated original. Your declaration should clearly indicate the original date of adoption.

NOTE: Bylaws may be considered an organizing document only if they are properly structured (includes name, purpose, signatures, and intent to form an organization).

Item 3. A **corporation** is a business entity organized under a Federal or state statute, or under certain circumstances under a statute of a federally recognized Indian tribe. A corporation's organizing document is its "articles of incorporation."

If formed under state statute, your articles of incorporation must show evidence that on a specific date it was filed with and approved by your appropriate state official. It must be an exact copy of what is on file with your state.

A limited liability company (LLC) is presumed to be a partnership for Federal tax purposes. However, an LLC that files its own exemption application is treated as a corporation rather than a partnership. Instead of articles of incorporation, an LLC's organizing document is its state-approved "articles of organization." If it has adopted an "operating agreement"

then this document is also part of its organizing document.

Item 4. Bylaws are generally the internal rules and regulations of an organization. If you have bylaws, you should submit a current copy.

NOTE: Bylaws do not need to be signed unless they are the organizing document as described in item 2 above.

Part VI. Information about the Required Provisions in Your Organizing Document

Item 1. Your organizing document must limit your *purposes* to those described in section 501(c)(3). Those purposes are charitable, religious, educational, scientific, literary, testing for public safety, fostering national or international amateur sports competition, and the preventing cruelty to children or animals. The generally accepted legal definition of “charitable” includes relief of the poor, the distressed, or the underprivileged; advancement of religion; advancement of education or science; erecting or maintaining public buildings, monuments, or works; lessening the burdens of government; lessening neighborhood tensions; eliminating prejudice and discrimination; defending human and civil rights secured by law; and combating community deterioration and juvenile delinquency.

Therefore, the phrase “relief of the poor” in your organizing document properly limits your purposes. If your purposes are limited in some way by referring to section 501(c)(3), an amendment may be unnecessary. For example, the phrase “relief of the elderly within the meaning of section 501(c)(3)” in your organizing document also properly limits your purposes.

However, if the purposes listed in your organizing document are broader than those listed in section 501(c)(3), you may need to amend your organizing document. A reference to section 501(c)(3) will not ensure that your purposes are limited to those described in section 501(c)(3). All of the language in your organizing document must be

considered. The following is an example of an acceptable purpose clause:

The organization is organized exclusively for charitable, religious, educational, and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code.

See Publication 557 for further information and examples of how to limit your purposes.

Any amendment you submit should show evidence that it was formally approved on a specified date by the appropriate authority according to your organizational structure.

Item 2. Your organizing document must permanently dedicate your assets for a section 501(c)(3) purpose. This means that if you dissolve, your assets must be distributed for an exempt purpose described in section 501(c)(3), or to the federal government or to a state or local government for a *public purpose*.

If you do not have a dissolution provision in your organizing document and you are relying on state law, provide the citation of the law and briefly describe the law’s provisions in an attachment. Foreign organizations may be able to rely upon the applicable laws of their jurisdiction in a similar manner. You must provide a copy of the applicable law with an English translation.

If your organizing document states that your assets would be distributed to members or private individuals or for any purpose other than those provided in section 501(c)(3), you must amend your organizing document to remove such statements.

Naming a specific organization to receive your assets upon dissolution will only be acceptable if your articles state that the specific organization must be exempt under section 501(c)(3) at the time your dissolution takes place. The

following is an example of an acceptable dissolution clause:

Upon the dissolution of the organization, assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or corresponding section of any future federal tax code, or shall be distributed to the federal government, or to a state or local government, for a public purpose. Any such assets not disposed of shall be disposed of by a court of competent jurisdiction in which the principal office of the organization is then located, exclusively for such purposes or to such organization or organizations, as said court shall determine, which are organized and operated exclusively for such purposes.

See Publication 557 for further information and examples of acceptable language for dedication of assets in your organizing document.

If multiple amendments are required, they may be done at the same time. For example, if you are a corporation and are required to amend both your purpose and dissolution clauses, you may file a single amendment with your appropriate government authority.

Part VII. Information about Your History

A **successor** includes an organization that has:

- taken over the assets or activities of another organization,
- been converted or merged from another organization, or
- installed the same officers, directors, or trustees as another organization that no longer exists.

Item 1. A **for-profit** organization includes any organization in which an individual has a proprietary or partnership interest or otherwise has an ownership interest, such as holding stock.

A successor to a for-profit organization can either be one that has been converted to a non-profit entity or one that took over the

assets or activities of another for-profit organization.

Item 2. If you answer “Yes,” thoroughly describe the circumstances that led to your creation, including the following:

- Describe what assets or activities you took over from the other organization.
- List the other organization's officers, directors, and trustees.
- Explain how the other organization's assets were distributed.

Item 3. Answer “Yes” if you or an organization to which you are a **successor** previously filed an application Form 1023, Form 1024, Form 1028, or other application for tax exemption. Also, explain how the application was resolved. Include a copy of any denial letter.

Item 4. If you answer “Yes,” thoroughly describe the issues that resulted in your revocation or the revocation of an organization to which you are a **successor** and steps taken to address the issues. Include a copy of any revocation letter and any attachments.

Item 5. Answer “Yes” if you are filing this application after the 27-month period and complete Schedule E.

Part VIII. Information about Your Specific Activities

Item 1. Answer “Yes” if you promote or oppose the candidacy of an individual for public office. Your explanation should include representative copies of your political literature, brochures, pamphlets, etc.

NOTE: Organizations described in section 501(c)(3) are prohibited from supporting or opposing candidates for public office in any political campaign. If you answer “Yes,” you should reconsider whether the filing of application Form 1023 is appropriate for your organization. Refer to Publication 557 for a description of other sections under which you may qualify.

Item 2a. You are attempting to influence legislation if you contact or urge the public to contact members

of a legislative body for the purpose of proposing, supporting, or opposing legislation, or if you advocate the adoption or rejection of legislation. Refer to Publication 557 for more information about legislative activities. If you answer “Yes,” your explanation should include the percentage of your total time and total funds spent on legislative activities. Also, submit representative copies of your legislative literature, brochures, pamphlets, etc.

NOTE: Organizations described in section 501(c)(3) are prohibited from engaging in substantial legislative activities. For a discussion of what constitutes “substantial,” refer to Publication 557.

Item 2b. If you meet the requirements of section 501(h), your legislative activities will not be considered substantial if you complete and file Form 5768, *Election/Revocation of Election by an Eligible Section 501(c)(3) Organization To Make Expenditures To Influence Legislation*. Churches and private foundations are not eligible to make this election. If you are making an election to make expenditures to influence legislation:

- attach a copy of Form 5768 that has already been filed with the IRS, or
- provide a completed Form 5768 with your exemption application and ask that it be filed on your behalf.

Item 3a. Fundraising includes efforts to raise funds through appeals for support, including auctions, concerts, car donations, or other programs. Fundraising can be conducted directly, through an agent, or through an independent contractor.

If you answer “Yes,” complete item 3b.

Item 3b. If you answer “Yes,” describe how you select the fundraisers and how you supervise them. Explain how often your fundraising activities are conducted, and who conducts them. Also explain whether you use volunteer labor. If individuals other than those with whom you contract are

compensated, describe who receives compensation and how the amount is determined. You should also include the percentage of your total time spent on fundraising compared to your total activities and the amount of net income or net losses from fundraising.

Submit a copy of any signed agreements and related documents with fundraisers.

Item 4. Other gaming activities include pull-tabs, raffles, keno, split-the-pot, and other games of chance. If you answer “Yes,” explain how often your bingo or other gaming activities are conducted, where they are conducted, and who conducts them. Also explain whether your workers are compensated. If workers are compensated, describe who receives compensation and how the amount is determined. You should also include the percentage of your total time spent on bingo or other gaming activities compared to your total activities, and the amount of net income or net losses from bingo or other gaming activities.

Item 5. As explained in the General Instructions (**Unrelated Business Income Tax (UBIT)**), **unrelated business** includes trade or business activities that are regularly carried on and not substantially related to your exempt purpose. For example, the sale of advertising in your annual yearbook is generally an unrelated business activity.

If you answer “Yes,” explain how your unrelated business activities are conducted, where they are conducted, and who conducts them. Also, explain whether you use volunteer labor. If workers are compensated, describe who receives compensation and how the amount is determined. Also, state the percentage of your total time spent on unrelated business activities compared to your total activities, and the amount of net income or net losses from unrelated business activities.

Item 6. Other activities that do not directly accomplish your charitable, educational, or religious purposes may include, for example, social or recreational purposes.

If you answer "Yes," explain how your non-charitable activities are conducted, where they are conducted, and who conducts them. Also explain whether you use volunteer labor. If workers are compensated, describe who receives compensation and how the amount is determined. Also state the percentage of your total time spent on these activities compared to your total activities, and the amount of net income or net losses from these activities.

Item 7. Answer "Yes" if any of your activities are designed to promote economic development. Describe the current economic condition of the area you serve. Specify who will primarily benefit from your activities. If the area you serve has been declared blighted or depressed, provide documentation.

NOTE: In general, economic development of areas that are not blighted or depressed may be more suitable for exemption under sections 501(c)(4) or 501(c)(6). Refer to Publication 557 for more information.

Item 8a. If you answer "Yes," indicate whether your low-income housing program involves single-family homes and/or multiple-unit housing. Also, explain how the property is managed and describe the qualifications of the manager. Submit a copy of your signed management agreement and any related documents, if applicable.

Include a description of who qualifies for your housing (income levels or other criteria) and how they are selected.

Item 8b. If you answer "Yes," indicate why you chose to operate through a limited partnership or a limited liability company (LLC). Include details of how you operate exclusively within the meaning of section 501(c)(3) that are not specifically included in your limited partnership agreement or LLC agreement.

Submit a copy of the signed limited partnership or LLC agreement and any related documents.

Item 9. A "school" must normally have a regular curriculum, a regular faculty of qualified teachers, a regularly enrolled student body, and facilities where educational activities are regularly carried on.

NOTE: The term "school" includes traditional elementary, secondary, and college level education, as well as preschools and formal instruction programs that meet this definition. For example, a museum that operates a school as an activity in addition to its other activities would answer "Yes."

Item 10. Answer "Yes" if you provide housing for elderly and/or handicapped individuals.

Item 11. Tax-exempt bonds are issued by a governmental entity on behalf of a section 501(c)(3) organization. If you answer "Yes," identify the issuer of the bonds and the amount of bond proceeds expected. Also, attach a copy of your bond offering statement.

Item 12a. Childcare services are those designed to provide for the care of children away from their homes.

NOTE: Most childcare organizations qualify under section 501(c)(3) by virtue of section 501(k).

Item 12b. Section 501(k) provides exemption under section 501(c)(3) to childcare organizations if substantially all (at least 85%) of the care is provided for the purpose of enabling individuals to be gainfully employed or to seek employment. If more than 15% of your childcare services are provided at times other than these, answer "Yes" and attach an explanation.

You should describe the other purpose(s) for which you provide childcare services and give the percentage of care provided for each purpose. Also, explain how you determined each percentage.

Item 12c. Your childcare services should be available to the general public. If you are limiting your services to a specific group of people, answer "Yes" and attach an explanation.

Your explanation should describe the specific group.

Item 13. Answer "Yes" if you provide funds or aid directly to an individual or on behalf of an individual and complete Schedule H.

Answer "No" if you are only providing funds to another organization for its financial aid program.

Item 14. Answer "Yes" if you publish, own or have rights in music, literature, tapes, artworks, choreography, scientific discoveries, or other intellectual property. If you answer "Yes," list the rights, explain who owns them, and submit a copy of any applicable agreements.

If you sell books, tapes, artwork, etc., to the general public, submit your fee schedule and explain how the fees are determined. Explain whether fees are set at, above or below cost and how the items are produced, distributed and marketed.

Item 15. Answer "Yes" if you provide managerial, consulting or similar services to other exempt organizations for fees. Explain whether fees are set at, above, or below your cost and whether services are provided by volunteers or paid help. Include a copy of your fee schedule, if any. Also, indicate the exempt status of the organizations to which you will provide the services. If you answer "Yes," also explain the percentage of your total time and income on this activity.

NOTE: Providing ordinary business services to other exempt organizations, unless provided to section 501(c)(3) organizations at an amount that is substantially below your cost, generally does not further charitable purposes.

Item 16. Answer "Yes" if you conduct activities over the Internet such as fundraising, instruction, sales of products or services, etc. Answer "No" if your only Internet activity consists of maintaining a website that describes your exempt functions.

Item 17. Answer "Yes" if you were created by, controlled by, or closely

affiliated with a governmental unit. If you answer "Yes," identify the governmental unit and explain your relationship with it. Include details of any financial reports or audits required by the governmental unit. Also, describe any power or authority given to you by the governmental unit. Refer to Publication 557 for additional information.

NOTE: Governmental units described under section 170(c)(1), such as a state or a political subdivision of a state, generally would not qualify for exemption under section 501(c)(3). If you have certain sovereign powers, you may be considered a governmental unit.

Item 18a. A foreign organization includes any organization not formed under the jurisdiction of the United States, its territories and possessions, certain Indian Tribal and Alaska Native governments, or the District of Columbia.

Item 18b. See the specific tax treaty applicable to your country.

Item 19. Answer "Yes" if you contribute to a foreign organization. If you answer "Yes," give the name of the foreign organization and explain how you maintain control and discretion over the use of the funds or materials you donate. Describe any relationship you have with the foreign organization.

Item 20. A domestic organization is one that is formed under the jurisdiction of the United States, its territories and possessions, certain Indian Tribal and Alaska Native governments, or the District of Columbia. If you answer "Yes," name the foreign country and describe your operations there.

Item 21. A cooperative hospital service organization described in section 501(e) is organized and operated on a cooperative basis to provide its section 501(c)(3) hospital members one or more of the following activities: data processing, purchasing (including the purchasing of insurance on a group basis), warehousing, billing and collection (including the purchase of patron accounts receivable on a recourse basis), food, clinical, industrial

engineering, laboratory, printing, communications, record center, and personnel (including selection, testing, training and education of personnel) services. A cooperative hospital service organization must also meet certain other requirements provided by section 501(e).

Item 22. A cooperative service organization of operating educational organizations described in section 501(f) is organized and operated to provide certain investment services to its members that are organizations described in section 170(b)(1)(A)(ii) or (iv), and either exempt under section 501(a) or the income of which is excluded from taxation under section 115(a). A cooperative service organization of operating educational organizations must also meet certain other requirements provided by section 501(f).

Item 23. A charitable risk pool described in section 501(n) is organized and operated to pool insurable risks of its section 501(c)(3) members (other than risks related to medical malpractice). A section 501(n) organization must also meet certain other requirements provided by section 501(n).

Part IX. Narrative Description of Your Activities

Your description should include a complete and detailed description of your past, present, and planned activities. *Do not just refer to or repeat the purposes in your organizing document.*

For each past, present or planned activity, include information that would answer the following questions:

- What is the activity?
- Who conducts the activity?
- When is the activity conducted?
- Where is the activity conducted?
- How does the activity further your exempt purposes?
- What percentage of your total time is allocated to the activity?
- How is the activity funded? (This should agree with the financial data in Part X.)

NOTE: If you have a website, you may attach a copy to support your narrative description of activities.

Part X. Financial Data

Complete the Statement of Revenue and Expenses for the current year and each of the 3 years immediately before it (or the years you have existed, if less than 4).

If you have existed for less than 1 year, you must provide financial data for the current year and projections of your likely income and expenses for the following 2 years based on a reasonable and good faith estimate of your future finances.

The IRS may request financial data for more than 4 years if necessary.

All financial information for the current year must cover the period beginning on the first day of your established annual accounting period and ending on any day that is within 60 days of the date of this application.

If the date of this application is less than 60 days after the first day of the current accounting period, no financial information is required for the current year.

Financial information is required for the 3 preceding years regardless of the current year requirements. Please note that if no financial information is required for the current year, the preceding year's financial information can end on any day that is within 60 days of the date of this application.

Prepare the statements using the method of accounting and the accounting period (entered on Part I, line 6) you use in keeping books and records. If you use a method other than the cash receipts and disbursements method, attach a statement explaining the method used.

A. Statement of Revenue and Expenses

Line 1. Include funds or other items of value that you receive as gifts, grants, or contributions. For example, if one of your activities is a food drive, the value of the donated

food is to be included on this line. Also, include payments made by a governmental unit to enable you to provide a service to the general public.

Do not include amounts you receive from the general public or a governmental unit for the exercise or performance of your exempt function. For example, if you operate a day care, the fees for services provided are not included on this line but are included on line 6. Another example is a housing organization that receives funds from a governmental unit to subsidize rent for residents. Also, unusual grants are not included on this line but are included on line 13.

Line 2. Include amounts received from members for the purpose of providing support to the organization. Do not include payments from members or on behalf of members to purchase admissions, merchandise, services, or use of facilities.

Line 3. Include gross income received from dividends, interest, and payments received on securities loans, rents, and royalties that are held for investment purposes.

Line 4. Net income from unrelated business activities generally includes any trade or business activity that is regularly carried, not conducted with substantially all (at least 85%) volunteer labor, and not related to your exempt purposes. (This amount can be taken from Form 990-T, Exempt Organization Business Income Tax Return, if filed.)

NOTE: Income from fundraising activities may be reported on line 10 if it is not regularly carried on, conducted with substantially all (at least 85%) volunteer labor, or otherwise excepted as income from an unrelated business.

See Publication 598 for additional information regarding income that is from an unrelated trade or business.

Line 5. Include unrelated business income not included in line 4, above, because it is from a business you acquired before June 30, 1975.

Line 6. Include the amount collected by the local tax authority from the general public on your behalf.

Line 7. To determine the value of services and/or facilities furnished by a governmental unit, use the fair market value at the time the service/facility was furnished to you (not including those generally provided to the public with charge).

Line 8. Enter the total income from all sources that are not reported on lines 1 through 7, or lines 10, 12, and 13. Submit an itemized list showing each type and amount of income included on this line. Also, submit a brief description of each type of income.

Line 9. Add lines 1 through 8 and enter the amount.

Line 10. Include income from activities that you conduct to raise funds or to further your exempt purposes (excluding amounts listed on other lines). An example of income from an exempt purpose is income received by a symphony orchestra from the sale of tickets to its performances. Fundraising income does not include amounts from unrelated business activity. Fundraising income includes activity:

- Conducted intermittently (not regularly carried on), such as an occasional auction.
- Conducted with substantially all (at least 85%) volunteer labor, such as a car wash.
- Conducted for the convenience of members, student, patients, officers, or employees, such as a parking lot for a school's students and employees.
- Conducted with substantially all contributed merchandise, such as a thrift store.

See Publication 598 for additional information regarding income that is not from an unrelated trade or business.

Line 11. Add lines 9 and 10 and enter the amount.

Line 12. Submit an itemized list that shows a description of each asset, the name of the purchaser, and the amount received. In the case of

publicly traded securities sold through a broker, the name of the purchaser is not required.

Line 13. Unusual grants generally consist of substantial contributions and bequests from disinterested persons that by reason of their size adversely affect classification as a public charity. They are:

- unusual;
- unexpected; and
- received from an unrelated party.

NOTE: You must fully describe your unusual grants in Part XI, item 7. Also, see Publication 557 for more information about unusual grants or a description of public charity classification.

Line 14. Add lines 11 through 13 and enter the amount.

Line 15. Fundraising expenses include the total expenses incurred for soliciting contributions, gifts, grants, and expenses associated with fundraising income included on line 10, above.

Line 16. Submit an itemized list showing the name of the recipient, a brief description of the purposes or conditions of payment, and the amount paid.

Colleges, universities, and other educational institutions and agencies subject to the Family Educational Rights and Privacy Act (20 U.S.C. 1232g) are not required to list the names of individuals who were provided scholarships or other financial assistance where such disclosure would violate the privacy provisions of the law. Instead, such organizations should group each type of financial aid provided, indicate the number of individuals who received the aid, and specify the aggregate dollar amount.

Line 17. Submit an itemized list showing the name of each recipient, a brief description of the purposes or condition of payment, and amount paid. Do not include any amounts that are on line 16.

Line 18. Enter the total amount of compensation from Part III, item 3.

Line 19. Enter the total of employees' salaries and wages not reported on line 18, above. Your itemized list should show the following for each recipient: name, job title, a brief description of the duties and responsibilities, the average amount of time devoted to your affairs per week, and amount of annual compensation.

Line 20. Enter the total interest expense for the year, excluding mortgage interest treated as an occupancy expense on line 21.

Line 21. Enter the amount paid for the use of office space or other facilities, heat, light, power, and other utilities, outside janitorial services, mortgage interest, real estate taxes, and similar expenses.

Line 22. If you record depreciation, depletion, and similar expenses, enter the total amount.

Line 23. Professional fees are those charged by individuals and organizations that are not considered your employees. These include fees for professional fundraisers, accounting services, legal counsel, consulting services, contract management, or any independent contractors. Submit an itemized list showing the name, a brief description of the purposes or condition of payment, and amount paid. Any contracts or agreements for these services should be submitted.

Line 24. Submit an itemized list showing the type and amount of each significant expense for which a separate line is not provided. Report other miscellaneous expenses as a single total if not substantial in amount.

Line 25. Add lines 15 through 24 and enter the amount.

B. Balance Sheet

Complete the following for your most recently completed tax year. Otherwise, complete with the most current information available. Be sure to enter the date in the space provided.

Line 1. Enter the total cash in checking and savings accounts,

temporary cash investments (money market funds, CDs, treasury bills, or other obligations that mature in less than 1 year), change funds, and petty cash funds.

Line 2. Enter the total accounts receivable that arose from the sale of goods and/or performance of services, less any reserve for bad debt.

Line 3. Enter the amount of materials, goods, and supplies you purchased or manufactured and held to be sold or used in some future period.

Line 4. Enter the total amount of bonds or notes that you issued that will be repaid to you. Submit an itemized list that shows the name of the borrower, a brief description of the obligation, the rate of return, the due date, and the amount due.

Line 5. Enter the total fair market value of corporate stocks you hold. Submit an itemized list of your corporate stock holdings. For stock of closely held corporations, the statement should show the name of the corporation, a brief summary of the corporation's capital structure, the number of shares held and their value as carried on your books. If such valuation does not reflect current fair market value, also include fair market value.

For stock traded on an organized exchange or in substantial quantities over the counter, the statement should show the name of the corporation, a description of the stock and the principal exchange on which it is traded, the number of shares held, and their value as carried on your books.

Line 6. Enter the total amount of loans (personal and mortgage loans) receivable. Submit an itemized list that shows the borrower's name, purpose of loan, repayment terms, interest rate, and original amount of loan. Report each loan separately, even if more than one loan was made to the same person.

Line 7. Enter the total book value of government securities you hold (U.S., state, or municipal). Also enter the book value of buildings

and equipment held for investment purposes. Submit an itemized list identifying and reporting the book value of each.

Line 8. Enter the total book value of buildings and equipment not held for investment. This includes facilities you own and equipment you use in conducting your exempt activities. Submit an itemized list of these assets held at the end of the current tax year/period and the cost or other basis.

Line 9. Enter the total book value of land not held for investment.

Line 10. Enter the total book value of any other category of assets not reported on lines 1 through 9. Submit an itemized list of each.

Line 11. Add lines 1 through 10 and enter the amount.

Line 12. Enter the total of accounts payable to suppliers and others, such as salaries payable, accrued payroll taxes, and interest payable.

Line 13. Enter the total unpaid portion of grants and contributions that you have made a commitment to pay to other organizations or individuals.

Line 14. Enter the total of mortgages and other notes payable outstanding at the end of the current tax year/period. Submit an itemized list that shows each item separately and the lender's name, purpose of loan, repayment terms, interest rate, and original amount.

Line 15. Enter the total amount of any other liabilities not reported on lines 12 through 14. Submit an itemized list of these liabilities and the amounts owed.

Line 16. Add lines 12 through 15 and enter the amount.

Line 17. Under fund accounting, an organization segregates its assets, liabilities, and net assets into separate funds according to restrictions on the use of certain assets. Each fund is like a separate entity in that it has a self-balancing set of accounts showing assets, liabilities, equity (fund balance), income, and expenses. If you do

not use fund accounting, report only the "net assets" account balances, such as: capital stock, paid-in capital, and retained earnings or accumulated income. For stock of closely held corporations, submit a statement that shows the name of the corporation, a brief summary of the corporation's capital structure, the number of shares held and their value as carried on your books. If such valuation does not reflect current fair market value, also include fair market value. For stock traded on an organized exchange or in substantial quantities over the counter, submit a statement that shows the name of the corporation, a description of the stock and the principal exchange on which it is traded, the number of shares held, and their value as carried on your books.

Line 18. Add lines 16 and 17 and enter the amount.

Item 19. If you answer "Yes," describe the change and explain what caused it.

Part XI. Public Charity Status

Item 1. Organizations that are exempt under section 501(c)(3) are private foundations *unless* they are engaging in public activity such as churches, schools, hospitals, governmental units, testing for public safety, have broad financial support from the general public, or are supporting another organization(s) that is a public charity.

Unless you meet one of the exceptions above, you are a private foundation and must answer "Yes." See Publication 578 for additional information.

Item 2. Some private foundations qualify as a private operating foundation. These are types of private foundations that lack general public support, but make qualifying distributions *directly for the active conduct* of their educational, charitable, and religious purposes.

If you claim to be a private operating foundation, answer "Yes." See Publication 578 for additional information.

Item 3. Directly for the active conduct means that the distributions must be used by the foundation itself to actively carry on the programs for which it is organized and operated. Grants made to assist other organizations or individuals are normally considered indirect.

If you answer "Yes," explain how you will be significantly involved. If you answer "No," you would not meet the definition of a private operating foundation.

Item 4. Answer "Yes" if you have been in existence for one year or more and complete Form 990-PF, Part XIV, as directed in the instructions for that form. Then, submit the completed Form 990-PF, Part XIV, with your Form 1023.

Answer "No" if you have not been in existence for one year and refer to Publication 578 for additional information about section 4942(j)(3). This information will help you complete your narrative statement.

Item 5. Review each of the choices listed and check the box that is most appropriate for you. *You should check only one box.*

Box (a). Check this box if your primary purpose is the operation of a church or a convention or association of churches. The term "church" includes mosques, temples, synagogues, etc. If you select this box, complete and submit Schedule A.

Box (b). Check this box if your primary purpose is the operation of a school. If you select this box, complete and submit Schedule B.

If you operate a school but it is not your primary purpose, do not check this box. However, you are still required to complete and submit Schedule B.

NOTE: Be sure your response is consistent with Part VIII, item 9.

Box (c). Check this box if your primary purpose is the provision of medical or hospital care or medical education or research. If you select this box, complete and submit Schedule C.

NOTE: Cooperative hospital service organizations described under section 501(e) should also check this box, but do not complete Schedule C.

Box (d). Check this box if you are a state, a possession of the United States, an Indian Tribal or Alaska Native government, or a political subdivision of any of the foregoing, or the United States, or the District of Columbia.

NOTE: Governmental units described under section 170(c)(1) generally would not qualify for exemption under section 501(c)(3).

Box (e). Check this box if you operate solely for the benefit of, or in connection with, one or more of the organizations described in a through d, g, h, or i. If you select this box, complete and submit Schedule D.

NOTE: The organization(s) you are supporting should have a significant influence over your operations.

Box (f). Check this box if your primary purpose is to test products to determine their acceptability for use by the general public.

NOTE: Contributions to organizations of this type are not deductible under section 170(c). Also, organizations that primarily conduct the testing for a specific manufacturer do not qualify for exemption under section 501(c)(3).

Box (g). Check this box if you are organized and operated exclusively for the benefit of a college or university owned or operated by a governmental unit. You must also normally receive a substantial part of your support from a governmental unit or from contributions from the general public.

Box (h). Check this box if you normally receive a substantial part of your support from a governmental unit or from contributions from the general public, or a combination of these sources. Typically, a majority of your income would be shown on Part X, line 1.

NOTE: Under this public charity status, you must meet the one-third

public support test or the facts and circumstances test. Before checking this box, consider the types of income you listed on Part X, lines 1 through 14. Also, if you select this public charity status, you must request either an advance or a definitive ruling by completing Part XI, item 6. See Publication 557 for additional information about these tests.

Box (j). Check this box if you normally receive a substantial part of your support from activities related to your exempt purposes or fund raising activities and no more than one-third of your support from investment income and net unrelated business income from businesses you acquired after 6/30/75. Typically, a majority of your income would be shown on Part X, line 10.

NOTE: Under this public charity status, you must meet both the one-third public support test *and* the not-more-than-one-third investment income and net unrelated business income test. Before checking this box, consider the types of income you listed on Part X, lines 1 through 14. Also, if you select this public charity status, you must request either an advance or a definitive ruling by completing Part XI, item 6. See Publication 557 for additional information about these tests.

Box (j). Check this box if you are unsure whether you are better described in box (h) or (i). By checking this box, you are agreeing to let the IRS choose the best public charity status for you.

Item 6. If you checked box (h), (i), or (j) for item 5, you must choose either box (a) or (b) for this item. Your request for an advance ruling or a definitive ruling depends on the following factors:

- The date you were formed or other date that your exemption would be effective;
- Whether you have completed at least one tax year (consisting of at least 8 full months) from the date you were formed or other date that your exemption would be effective; and
- The amount and type of income you have received.

By checking box (a), you are requesting an advance ruling for your public charity status. The advance ruling gives you a 5-year period in which you can get the financial support needed to meet one of the public support tests described in Publication 557. Generally, the financial information for the 5-year period is submitted at the end of your advance ruling and a final determination is made as to whether you are a public charity or a private foundation.

When your advance ruling period ends in five years, we will ask that you provide updated information about your public support by completing Form 8734, *Support Schedule For Advance Ruling Period*. You may obtain Form 8734 from our Internet site www.irs.gov, or by calling 1-800-829-3676. The final determination can be made at any time after you have completed and submitted financial information for a tax year consisting of at least 8 full months. You can determine if the support test is met by using the formula provided on Form 990, Schedule A, Part IV-A.

NOTE: In order to receive an advance ruling, *you must agree* to extend the statute of limitation of time to assess tax under section 4940 of the Code for any of the 5 tax years in the advance ruling period. The statute will extend 8 years, 4 months, and 15 days beyond the end of your first tax year. *By checking box (a) requesting an advance ruling, you are agreeing to the statute extension.* If, at the end of your 5-year advance ruling period, we determine that you do not meet the public support tests and are not described as a public charity, we will assess the tax under section 4940 for that 5-year period.

If you have not yet completed your first tax year consisting of at least 8 full months, you must check box (a) to request an advance ruling. For example, if you were formed on May 15, 2002, and your accounting period ends December 31, and you submitted your application on August 15, 2003, you must request an advance ruling since your first tax year consisted of only 7 ½ months

and you have not completed your second tax year.

If you have completed your first tax year consisting of at least 8 full months but cannot currently meet the required public charity support tests, you may still wish to request an advance ruling. This request should only be made if you reasonably expect to meet the required public charity support tests within the 5-year advance ruling period.

If you have completed more than 5 tax years from the date your exemption would be effective, do not request an advance ruling.

By checking box (b), you are requesting a definitive ruling for your public charity status. The definitive ruling is given to you at the time of application if you have been in existence at least one tax year and meet one of the public support tests described in Publication 557. You can also refer to Form 990, Schedule A, Part IV-A, for the formula used in the public charity support tests.

NOTE: *If you have completed your first tax year consisting of at least 8 full months and can meet the required public charity support tests, you should check this box.*

To show that you meet the required public charity support tests, complete items I and/or II:

Item I (a). Add the line 9 amounts from page 5. **DO NOT** include any amounts on line 9 from tax years that have not been completed. Multiply the total by 2% (.02) and enter the amount in the space provided.

Item I (b). To complete the required list of donors who gave more than the 2% amount, first add up the total amount contributed by each donor. (Use the amounts reported on page 5, lines 1 and 2.) The required list must show each donor's name and the total amount contributed during the tax years completed.

If there were no donors who gave more than the 2% amount, check the box for this item.

Item II (a). The first required list for this item should include the name and amount received from each “disqualified person” (defined below). Check the first box for this item if you received no amounts from “disqualified persons.”

Item II (b). The second required list for this item should include the name and amounts paid by each individual or organization, other than a “disqualified person,” that were greater than \$5,000 for any completed tax year. Your list for each payer must show a year-by-year breakdown of the amounts reported for completed tax years on Part X, line 10.

If you received no such payments, check the box for this item.

For purposes of this application, a “**disqualified person**” is any individual or organization who is:

- A “substantial contributor” to you (defined below);
- An officer, director, trustee, or any other individual who has similar powers or responsibilities;
- An individual who owns more than 20% of the total combined voting power of a corporation that is a substantial contributor to you;
- An individual who owns more than 20% of the profits interest of a partnership that is a substantial contributor to you;
- An individual who owns more than 20% of the beneficial interest of a trust or estate that is a substantial contributor to you;
- A “member of the family” of any individual described above;
- A corporation in which any individuals described above hold more than 35% of the total combined voting power;
- A trust or estate in which any individuals described above hold more than 35% of the beneficial interests; and
- A partnership in which any individuals described above hold more than 35% of the profits interest;

A “**substantial contributor**” is any individual or organization who gave

more than \$5,000 to you from the date you were formed, or other date that your exemption would be effective, to the end of the year in which the contributions were received. This total amount contributed must also be more than 2% of all the contributions you received. A creator of a trust is treated as a substantial contributor regardless of the amount contributed.

See Publication 578 for additional information about “disqualified persons” and “substantial contributors.”

Item 7. Unusual grants generally consist of substantial contributions and bequests from disinterested persons that by reason of their size adversely affect classification as a public charity. They are:

- unusual;
- unexpected; and
- received from an unrelated party.

If you answer “Yes,” submit a list including the name of the contributor, the date and amount of the grant, a brief description of the grant, and an explanation of why it is unusual. Your description should include details of any additional funds you expect to receive from the contributors listed. If they qualify for unusual grant treatment, these amounts should be reported on Part X, line 13.

See Publication 557 for additional information.

Schedule A

General Information:

There is no single definition of the word “church” for tax purposes. Informed by court decisions, the IRS considers characteristics generally attributed to churches and the facts and circumstances of each organization applying for public charity status as a “church” in determining whether a 501(c)(3) religious organization is also a “church” under sections 509(a)(1) and 170(b)(1)(A)(i).

These characteristics generally attributed to churches are as follows:

- a distinct legal existence
- a recognized creed and form of worship
- a definite and distinct ecclesiastical government
- a formal code of doctrine and discipline
- a distinct religious history
- a membership not associated with any other church or denomination
- ordained ministers ministering to the congregation
- ordained ministers selected after completing prescribed courses of study
- a literature of its own
- established places of worship
- regular congregations
- regular religious services
- Sunday schools for the religious instruction of the young
- Schools for the preparation of ministers

It is not necessary that each of the above criteria be met. Also, for purposes of this schedule, “church” includes mosques, temples, synagogues, and other places where religious organizations described under section 501(c)(3) conduct regular worship services.

Item 1. If you answer “Yes,” provide a copy of your written creed, statement of faith, or summary of beliefs.

NOTE: The practices and rituals associated with your religious beliefs or creed must not be illegal or contrary to clearly defined public policy.

Item 2. If you answer “Yes,” indicate the name of the group of churches and whether you are part of an established denomination or unit. Describe your affiliation with the group. Also, indicate whether you claim to be a convention or association of churches.

Item 3a. If you answer “Yes,” indicate the regular days and times of your worship services. Include a description of the order of events during your regular worship service and explain how the activity furthers your religious purposes. Also include sample copies of any church bulletins, pamphlets, or flyers that

are distributed to your members or the general public.

Item 3b. Enter the average number of people who attend your regular worship services in the boxes provided. Include the number of members and non-members in attendance.

Item 4. Indicate whether you conduct baptisms, weddings, funerals, or other religious sacraments.

Item 5. A "school for the religious instruction of the young" only refers to regular religious educational activities for youth, such as a "Sunday school." It does not include any activities that would be part of any regular school activities described in Part VIII, item 9.

Item 6. If you answer "Yes," submit the name and address of the person or entity from which you lease the property, and indicate any relationship to you other than being your landlord. Describe the property, including details of any shared space with an individual or another organization, how the property is set up for use as a "church," and how the general public knows the property is a "church" with regular worship services. You may include photos of the inside and outside of the property.

Item 7. An established congregation or other religious membership group includes individuals who regularly attend and take part in the services of your organization at an established location. An established congregation does not include members of only one family.

If you answer "No," you will not meet the definition of a "church" for tax purposes. You may be described under another public charity status. Refer to the instructions for Part XI, item 5, for additional information about public charity status.

Item 8. Enter the total number of current members you have in the boxes provided. If you have no members, enter zero in the space provided.

Item 9a. Indicate whether there is a prescribed way to become a member of your organization. If you answer "Yes," explain who is eligible for membership and how members are selected. Answer "Yes" even if you just keep records of who is currently a member. Describe any required actions by individuals to become members. Submit copies of any application forms used.

Item 9b. If you answer "Yes," describe any rights and benefits given to members. Your description should include details of any levels of membership and the rights and/or benefits associated with each level.

Item 10. A prescribed course of study includes formal or informal training. It does not include self-ordination or the payment of a fee for an ordination certificate without completing a prescribed course of study. Submit a description of the course of study completed and evidence of the successful completion.

Item 11. Indicate whether your pastor, minister, rabbi, etc., is listed in Part II, item 1 of this form.

Item 12. If you answer "Yes," describe the requirements to be licensed, ordained, or chartered by your organization and how one applies.

Item 13. If you answer "Yes," submit a copy of your church charter. Identify the authority that issued the charter and describe the requirements you met to receive it.

Schedule B

General Information:

An organization qualifies for public charity status as a school under sections 509(a)(1) and 170(b)(1)(A)(ii) if it has the following:

- A regularly scheduled curriculum;
- A regular faculty of qualified teachers;
- A regularly enrolled student body; and
- A place where educational activities are regularly carried on.

The term "school" includes primary, secondary, preparatory, high schools, colleges and universities. It does not include organizations engaged in both educational and non-educational activities, unless the latter are merely incidental to the educational activities. For example, a school for handicapped children is included within the term, but an organization providing handicapped children with only custodial care is not.

An organization that is an instrumentality of a state or political subdivision of a state may qualify under sections 509(a)(1) and 170(b)(1)(A)(ii) if it is organized as a separate entity from the governmental unit that created it. Such a school would be considered a "public" rather than a "private" school. It would also be considered a "public" school if it were operated under a funding contract with a local government. One example of such a school is a charter school.

Section I. Operational Information

Item 1. Evidence that you have a regularly scheduled curriculum includes a list of required courses of study, dates and times courses are offered, and other information about how to complete them.

Evidence that you have a regular faculty of qualified teachers includes certifications by the appropriate state authority or successful completion of required training.

Evidence of a regularly enrolled student body includes records of regular attendance by students at your facility.

Evidence of a place where your exclusively educational activities are regularly carried on includes a lease agreement or deed for your facility.

Answer "Yes" if you have a regularly scheduled curriculum, a regular faculty of qualified teachers, a regularly enrolled student body, and facilities where your educational activities are regularly carried on.

If you answer "No," do not complete Schedule B. You do not meet the requirements under sections 509(a)(1) and 170(b)(1)(A)(ii) and

will need to go back to Form 1023, Part XI, item 5, to reconsider your public charity status.

Item 2. For purposes of this schedule, the term “charter school” includes charter schools, community schools, and similar schools operating under a funding contract with a local government.

Answer “Yes” if you have a signed contract or agreement with the local government. Submit a signed and dated copy of that contract or agreement. If you answer “Yes,” do not complete the remainder of Schedule B.

NOTE: Check your response to Part VIII, item 17, for consistency with your answer to item 2.

Item 3. Enter the name of the public school district and county where you operate.

Item 4. Answer “Yes” if you were formed or substantially expanded during a period of time when public schools in your district or county were desegregated by court order.

NOTE: If you are unsure whether you meet this requirement, contact an appropriate public school official.

Item 5. Answer “Yes” if a state or federal administrative agency or judicial body ever determined your organization to be racially discriminatory. Identify the parties involved and the forum in which the case was presented. Explain the reason for the action, the decision reached, and the citations (if any) for the decision. Also, explain in detail any changes made in response to the action against your organization or the decision reached.

Item 6. For purposes of this schedule, you are considered “affiliated” if you meet the requirements of either:

- a supporting organization to a church or a convention or association of churches, or
- a church-affiliated organization that is not required to file Form 990 or 990-EZ as described in the *Instructions for Form 990 and Form 990-EZ*.

To show your affiliation as a supporting organization to a church or a convention or association of churches, you must submit the information required by Form 1023, Schedule D. If you are a church-affiliated organization, you must show relevant facts and circumstances of your affiliation as explained in the above-referenced instructions.

Section II. Establishment of Racially Nondiscriminatory Policy

An organization that qualifies for public charity status as a school under sections 509(a)(1) and 170(b)(1)(A)(ii) must publish a notice of its racially nondiscriminatory policy as to students as follows:

The M school admits students of any race, color, national and ethnic origin to all the rights, privileges, programs, and activities generally accorded or made available to students at the school. It does not discriminate on the basis of race, color, national and ethnic origin in administration of its educational policies, admissions policies, scholarship and loan programs, and athletic and other school-administered programs.

A school will not be considered discriminating on the basis of race if it favors racial minority groups in admissions, facilities, programs, and student aid in order to establish and maintain its racially nondiscriminatory policy as to students. Also, a school that selects students on the basis of membership in a religious denomination or unit is not discriminating if membership in the denomination or unit is open to all on a racially nondiscriminatory basis.

Every private school is subject to the provisions of Revenue Procedure 75-50, 1975-2 C.B. 587.

See Publication 557, which sets forth the requirements of Rev. Proc. 75-50 under the section for “Private Schools.”

An organization must certify on an annual basis that it meets the requirements of Rev. Proc. 75-50. This can be accomplished by filing

Form 990, Schedule A, *Organization Exempt under Section 501(c)(3)*, or by filing Form 5578, *Annual Certification of Racial Nondiscrimination for a Private School Exempt From Federal Income Tax*.

Item 1. Answer “Yes” if your organizing document or bylaws contains a statement similar to the one shown above.

Answer “No” if the statement is not included. Submit a copy of your signed and dated resolution that was adopted according to your internal rules or regulations. Your resolution should be similar to the one shown above.

Item 2. Answer “Yes” if your brochures, application forms, advertisements and catalogues dealing with student admissions, programs, and scholarships contain a statement similar to the following:

The M school admits students of any race, color, and national or ethnic origin.

Submit copies of all these documents.

Item 2b. By checking the box, you are agreeing that ALL future printed material, including Internet material, will contain a nondiscriminatory policy as to students similar to the one provided.

Item 3. Rev. Proc. 75-50 requires that you publish your nondiscriminatory policy as to students on an annual basis. If you have already published your notice, submit the actual page of the newspaper on which the notice appears. We are unable to accept a photocopy, other electronic reproduction, or partial page of the newspaper.

Answer “No” if you have not attached your notice and describe how you meet the publicity requirement of Rev. Proc. 75-50.

See Publication 557 or Rev. Proc. 75-50 for guidance on the format and content of your required notice of racially nondiscriminatory policy statement as to students and any exceptions that may apply to you.

NOTE: A notice published in the legal notices section or classified advertisements is generally not acceptable.

Item 4. Enter the racial category in the space provided. Enter actual numbers, rather than percentages, for the current and next academic year in the spaces provided. If the number is zero, then enter "0." *Do not identify students, faculty, and staff by name.*

If you are completing the table based on estimates, submit documentation that supports how you arrived at the estimated numbers. For example, if your estimates were based on the racial composition of the community in which you operate, submit current census data of the racial composition for the area. If your numbers and the census numbers differ greatly, you should explain why.

Item 5. Enter the racial category in the space provided. Enter actual numbers, rather than percentages, for the current and next academic year in the spaces provided. If the number is zero, then enter "0." *Do not identify students by name.*

Item 6a. Complete and submit a list that identifies each individual or organization by name. Your list must include your incorporators, founders, board members, donors of land, or donors of buildings.

Item 6b. Answer "Yes" if any of the individuals or organizations on your list has an objective to keep public and/or private school education segregated by race. If you answer "Yes," include an explanation as to how these individuals or organizations promote segregation in public and/or private schools.

Item 7. Answer "Yes" if, on a continuing basis, you will maintain for a minimum period of three years the following records:

- Your racial composition (similar to Form 1023, Schedule B, item 4);
- Evidence that your scholarships and loans are awarded on a racially nondiscriminatory basis

(similar to Form 1023, Schedule B, item 5);

- Copies of all materials used by or on behalf of you to solicit contributions; and
- Copies of brochures, application forms, advertisements, and catalogues dealing with student admissions, programs, and financial aid.

Answer "No" if you do not maintain records and explain how you meet the requirements under Rev. Proc. 75-50.

NOTE: Failure to maintain these records or produce them upon the proper request will create a presumption that the organization has failed to comply with these guidelines.

Schedule C

General Information:

An organization qualifies for public charity status under sections 509(a)(1) and 170(b)(1)(A)(iii) if it is:

- A hospital,
- A cooperative hospital service organization (Schedule C not required), or
- A medical research organization operated in conjunction with a hospital.

An organization qualifies as a *hospital* if its principal purpose or function is the providing of medical or hospital care or medical education or research. "Medical care" includes treatment of any physical or mental disability or condition, on an inpatient or outpatient basis, provided the cost of such treatment is deductible under section 213 of the Code by the person treated. Thus, if an organization is a rehabilitation institution, outpatient clinic, or community mental health or drug treatment center, it may be a hospital if its principal function is providing treatment services described above.

Hospital does not include convalescent homes, homes for children or the aged, or institutions whose principal purpose or function

is to train handicapped individuals to pursue a vocation.

An organization qualifies as a *medical research organization* if its principal purpose or function is the direct, continuous, and active conduct of medical research in conjunction with a hospital. The hospital with which the organization is affiliated must be described in section 501(c)(3), be a federal hospital, or be an instrumentality of a governmental unit referred to in section 170(c)(1) of the Code, such as a municipal hospital.

For purposes of this schedule, "medical research" means investigations, experiments, and studies to discover, develop, or verify knowledge relating to the causes, diagnosis, treatment, prevention, or control of human physical or mental diseases and impairments. For further information, see Income Tax Regulations section 1.170A-9(c)(2).

If you are claiming to be a hospital, check the first box on Schedule C and complete Section I.

If you are claiming to be a medical research organization, check the second box on Schedule C and complete Section II.

Section I. Hospitals

Item 1. Answer "Yes" if all doctors in your community are eligible for staff privileges at your facility.

Answer "No" if all doctors in your community are not eligible for staff privileges at your facility.

If you answer "No," describe in detail how you limit eligibility for staff privileges at your facility. Include details of your eligibility criteria and selection procedures for your courtesy staff of doctors.

Item 2a. Answer "Yes" if you admit all patients in your community who have the ability to pay for themselves or through private health insurance.

Answer "No" if your patient admission policy is limited in any way for these individuals. If you answer "No," describe your

admission policy in detail, and explain how and why you restrict patient admission.

Item 2b. Answer "Yes" if you admit all patients in your community who participate in the Medicare and Medicaid programs.

Answer "No" if your patient admission policy is limited in any way for such individuals. If you answer "No," describe your admission policy in detail. In your description, explain how and why you restrict patient admission and whether your restrictions apply to Medicare only, Medicaid only, or both.

Item 3a. Answer "Yes" if you require a deposit from Medicare and/or Medicaid patients before admission. If you answer "Yes," describe in detail how you determined the amount required and explain why a deposit is needed.

Item 3b. Answer "Yes" if you have a deposit requirement for other patients before admission and the requirement is the same as in item 3a.

Answer "No" if you have a deposit requirement and there are differences in either the way the amount is determined or the reason the amount is needed. If you answer "No," describe the differences in detail.

Item 4a. Answer "Yes" if you offer emergency medical or hospital care at your facility on a 24-hour basis, seven days a week.

Item 4b. Answer "Yes" if you have a specific written plan or policy to accept all patients in need of emergency care without considering their ability to pay.

If you answer "Yes," then you must submit a copy of your plan or policy.

Item 4c. Answer "Yes" if you have any specific arrangements with any police, fire, or ambulatory service providers to bring emergency cases to your facility.

If you answer "Yes," submit a copy of the specific agreement. If it is an oral agreement, explain fully the

specific oral agreement under which you are operating. For any oral agreements, include details of how and when the agreement was arranged.

Item 5. Answer "Yes" if you provide free or low cost medical or hospital care services to the poor or the indigent. If you answer "Yes," you must also answer items 5a through 5c.

Item 5a. Submit a copy of your written policy or explain fully the understanding under which you operate regarding the admission and/or treatment of charity cases.

Include details of how you inform the general public about your policy. Also describe the circumstances when you would not accept a charity case and how you would resolve such an instance.

Submit copies of any documents or agreements you require charity patients to sign before being admitted and/or treated.

Item 5b. Submit past records that detail the number of times and the types of services provided. Explain whether or not you keep separate records of the costs associated with charity patients. Also, describe any circumstances when you did not accept a charity case and how you resolved the matter.

Item 5c. Submit copies of any written agreements you have with a municipal or government agency to subsidize the cost of admitting/treating your charity patients.

Item 6. Answer "Yes" if you provide a formal program of medical training and research. If you answer "Yes," describe in detail your program, including criteria for acceptance into your program and its duration.

Item 7. Answer "Yes" if you provide office space to physicians carrying on a medical practice. If you answer "Yes," describe the criteria you use to determine who may use office space. Attach a list that includes the name of each physician, the annual rent, the amount of space provided, the

duration of the current lease and whether the terms represent fair market value.

Section II. Medical Research Organizations

Item 1. Attach a list of names of each hospital with which you have a relationship. Describe in detail the relationship you have with any hospital. Submit copies of any agreements.

Item 2. Describe in detail all medical research activities.

Item 3. Your statement should explain how you determine fair market value of the assets.

Schedule D

General Information:

An organization qualifies for public charity status under section 509(a)(3) if:

- It is organized and at all times thereafter is operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more specified public charities described in section 509(a)(1) or 509(a)(2). It is also possible for the organization to support organizations that are exempt under section 501(c)(4), (5), or (6) and still qualify under section 509(a)(3). The organization must provide financial information for the section 501(c)(4), (5), or (6) organization to show that it meets the public support test under section 509(a)(2). Those organizations receiving support are commonly referred to as "supported organizations."
- It shows that it meets one of three relationship tests with the supported organization(s).
- It is not controlled directly or indirectly by disqualified persons (see specific instructions for Part XI, item 6, for a definition of a disqualified person).

NOTE: Organizations that are formed to provide support to other

organizations where there are no common board members, or where the supported organization does not exercise control over the supporting organization, typically do not qualify under section 509(a)(3). Examples of this are booster clubs and parent-teacher organizations. These types of organizations are normally described under section 509(a)(1) or 509(a)(2).

See Publication 557 for additional information about section 509(a)(1), 509(a)(2), and 509(a)(3) organizations.

Section I. Identifying Information about the Supported Organizations(s)

Item 1. Enter the name, address and employer identification number (EIN) of each organization that you support.

Item 2. Answer "Yes" if each supported organization you listed in item 1 has received a letter from the IRS stating that it is recognized as a public charity by reason of section 509(a)(1) or 509(a)(2). Then, go to Section II, item 1.

Answer "No" if any supported organization listed for item 1 has not received a letter from the IRS stating that it is recognized as a public charity under section 509(a)(1) or 509(a)(2). Then, go to item 3.

Item 3. Answer "Yes" if the supported organization(s) you listed in item 1 received a letter from the IRS stating that they are exempt under section 501(c)(4), (5), or (6). Also, to show how the organization(s) meet the public support test, submit the amounts and sources of revenue for the last four completed tax years for the supported organization(s). You should provide the requested financial data in the format shown on Part IX, page 4, for each organization. You must then submit the lists requested by Part X, items 6b and 7, for each organization.

Answer "No" if any supported organization(s) listed in item 1 have not received tax-exempt status under section 501(c)(4), (5), or (6).

NOTE: If the organization(s) you intend to support has not received a letter from the IRS stating that it is a public charity under section 509(a)(1) or 509(a)(2) or has not received a letter that it is exempt under section 501(c)(4), (5), or (6), you will need to provide a written explanation to demonstrate that the organization(s) you support is described in sections 509(a)(1) or (a)(2). For example, if you support a church or foreign organization, you would describe how this organization qualifies as a public charity.

Section II. Relationship with the Supported Organization(s)

To qualify under section 509(a)(3), you must show that you meet one of the three relationship tests with the supported organization(s) as follows:

- operated, supervised, or controlled by (comparable to that of a parent-subsidiary relationship);
- supervised or controlled in connection with (comparable to a brother-sister relationship); or
- operated in connection with (responsive to the needs or demands of the supported organization(s) and show that there is significant involvement in the supported organization(s) affairs).

Item 1. Answer "Yes" if your governing document, bylaws or other internal rules and regulations show that the majority of your governing board or officers are elected or appointed by the supported organization(s). Then, go to Section III.

Answer "No" if your governing document, bylaws or other internal rules and regulations *do not* show that the majority of your governing board or officers are elected or appointed by the supported organization(s). Then, go to item 2 because you do not meet the "operated, supervised, or controlled by" relationship test.

Item 2. Answer "Yes" if your governing document, bylaws or other internal rules and regulations show that a majority of your governing board consists of individuals who also serve on the

governing board of the supported organization(s). Then, go to Section III.

Answer "No" if your governing document, bylaws or other internal rules and regulations *do not* indicate a majority of your governing board consists of individuals who also serve on the governing board of the supported organization(s). If you answer "No" but still believe that you satisfy this test, attach an explanation and go to Section III.

Item 3. Answer "Yes" if you are a charitable trust under state law; you name each specified publicly supported organization as a beneficiary in your trust agreement; and, the beneficiary organization has the power to enforce the trust and compel an accounting under your state law. Then, go to Section II, item 5.

NOTE: If you are unsure whether you meet this requirement, contact your state official.

Item 4a. Answer "Yes" if the officers, directors, or trustees of the supported organization(s) elect or appoint one or more of your officers, directors, or trustees. If this is not stated in your governing document, bylaws or other internal rules and regulations, submit an explanation describing how your officer(s), director(s), or trustee(s) are elected or appointed. Then, go to item 4d.

Item 4b. Answer "Yes" if one or more members of the governing body of your supported organization(s) also serve as an officer, director, trustee, or hold another important office for your organization. Submit an explanation describing the position held and whether or not the position is ongoing. Then, go to item 4d.

Item 4c. Answer "Yes" if your officers, directors, or trustees maintain a close and continuous working relationship with the officers, directors, or trustees of the supported organization(s). Submit an explanation describing the continuous relationship in detail. Then, go to item 4d.

NOTE: If you answer "No," and your answer to items 3, 4a, and 4b were

"No," you do not meet the "operated in connection with" relationship test. You must establish a different relationship with the supported organization or go back to Part XI, item 1, to reconsider your public charity status.

Item 4d. Answer "Yes" if the supported organization has a significant influence in your investment policies, making and timing of grants, and directing the use of your income and assets. Submit an explanation describing the significant influence.

Item 5. Answer "Yes" if you conduct activities that would otherwise be conducted by your supported organization(s) if it were not for your involvement. Submit an explanation describing the activities that you conduct. Your description must include activities other than the distribution of funds. Then, go to Section III.

Item 6a. Answer "Yes" if you distribute at least 85% of your income to your supported organization(s).

NOTE: If you answer "No," and your answer to item 5 was "No," you do not meet the "operated in connection with" relationship test. Go back to Part XI, item 1, to reconsider your public charity status.

Item 6b. Submit a list that indicates the total amount distributed annually to each supported organization. Also, indicate how the amount to each will vary from year to year.

Item 6c. Submit a list that indicates the total annual income for each supported organization.

NOTE: If you distribute your income to, or for the use of, a particular department or program of a school, university, or hospital, etc., the total support of the department or program should be listed instead.

Section III. Organizational Information about Your Organization

Item 1a. Answer "Yes" if your governing document specifically names the supported organization(s).

NOTE: If you answer "No" and your answer to Section II, items 1 or 2, were "No," you must amend your governing document to specify the supported organization(s) by name. Otherwise, you will not meet the organizational test under section 509(a)(3) and will need to go back to Part XI, item 1, to reconsider your public charity status.

Item 1b. Answer "Yes" if your governing document specifies the supported organization(s) by charitable purpose or charitable class.

NOTE: If you answer "No" and your answer to Section II items 1 or 2 was "Yes," you must amend your governing document to specify the supported organization(s) by name, purpose, or class. Otherwise, you will not meet the organizational test under section 509(a)(3) and will need to go back to Part XI, item 1, to reconsider your public charity status.

Section IV. Operational Information about Your Organization

Item 1. Answer "Yes" if you are controlled directly or indirectly by disqualified persons (see specific instructions for Form 1023, Part XI, item 6, for a definition of a disqualified person). Do not consider a public charity, nor an officer, director, trustee, or any other individual who has similar powers or responsibilities as a disqualified person if this is the only reason they are a disqualified person.

NOTE: Organizations controlled by disqualified persons will not qualify under section 509(a)(3) even if there is an established relationship.

Item 2. Answer "Yes" if you are operated exclusively for the benefit of one or more supported organizations referred to in Section I, II, and III of Schedule D.

Answer "No" if you support or benefit an organization not specified in Sections I, II, and III of Schedule D. Also, attach an explanation describing the circumstances.

Schedule E

Item 1. Answer "Yes" if you are a church, association of churches, or integrated auxiliary of a church. (You should have also checked Part XI, box 5a.)

Item 2. Answer "Yes" if you are public charity and your annual gross receipts are normally \$5,000 or less.

Answer "No" if your annual gross receipts exceed \$5,000, or if you are a private foundation, regardless of the level of gross receipts.

Item 3. Answer "Yes" if you are currently a subordinate organization under a group ruling and the parent organization added you to the group within 27 months of your formation.

If you indicated "Yes" to any of the above items, do not complete the rest of this schedule.

If you indicated "No" to all of the above items, go to item 4.

Item 4. Answer "Yes" if you were formed before October 9, 1969. If you are a corporation, the formation date is the date that your articles of incorporation were filed with and approved by your state officials. If you are not a corporation, the formation date is the date that you adopted your organizing document.

If you answer "Yes," do not complete the rest of this schedule.

Answer "No" if you were formed after October 9, 1969, and go to item 5.

Item 5. Under section 301.9100 of the Income Tax Regulations, we will allow an organization a reasonable extension of time to file Form 1023 if it submits evidence to establish that it acted reasonably and in good faith and granting an extension will not prejudice the interest of the government.

You can show that you acted reasonably and showed good faith if at least one of the following is true:

- You filed Form 1023 before we discovered your failure to file.

- You failed to file because of intervening events beyond your control.
- You exercised reasonable diligence but you were not aware of the filing requirements. (The complexity of the your filing and experience in these matters is taken into consideration.)
- You reasonably relied upon written advice from us.
- You reasonably relied upon the advice of a qualified tax professional, who failed to file or advise you to file Form 1023.

Answer "Yes" if you wish to request an extension of time to file under these provisions.

If you answer "Yes," provide a detailed description of the reasons for filing late. Do not complete the rest of this schedule.

Answer "No" if you do not wish to request an extension under these provisions and go to item 6.

Item 6. Answer "Yes" if you wish to request exemption under section 501(c)(3) beginning with the received date of your Form 1023 and go to item 7.

Answer "No" if you filed the Form 1023 late, did not request an extension under the specific provisions explained in item 5, but still wish to pursue exemption under section 501(c)(3) prior to the received date of the Form 1023.

If you answer "No," attach an explanation of why you believe that you qualify for exemption under section 501(c)(3) prior to the received date of the Form 1023. If we rule against this request, we will provide appeal rights. Do not complete the rest of this schedule.

Item 7. Answer "Yes" if you wish to request exemption under section 501(c)(4) for the period prior to the received date of your Form 1023. If you answer "Yes," attach page 1 of Form 1024. Go to item 8.

NOTE: If you qualify for exemption under section 501(c)(4) for the period before the received date of the Form 1023, you will not be liable for income tax returns as a taxable entity. Contributions to section

501(c)(4) organizations are generally not deductible by donors.

Answer "No" if you do not wish to be tax exempt under section 501(c)(4) for the period prior to the received date of your Form 1023. Go to item 8.

NOTE: If you answer "No," you will be required to file tax returns for the period prior to the received date of your Form 1023.

Item 8. Complete the projected budgets of income for the first two full years after the received date of your Form 1023. Refer to the specific instructions for Part X, items 1 through 14, if you need guidance on what to include in the various categories.

NOTE: If you checked Part XI, items 5h, 5i or 5j, you should request an Advance Ruling by checking Part XI, item 6a.

Schedule F

Item 1. Explain the criteria for admission to your facility and submit copies of brochures, pamphlets, or other printed materials used to inform the public about your admission policy. Provide copies of any application forms you use for admission. Also, explain how individuals are referred to or made aware of your facility.

Item 2. Answer "Yes" if you charge a one-time fee for admission to your facility. If you answer "Yes," explain how the fee is determined and whether it is payable in a lump sum or on an installment basis. Also, provide an explanation of any instances when this fee may be waived.

Item 3. Answer "Yes" if you charge daily, weekly, monthly, or yearly fees or maintenance charges. If you answer "Yes," send a copy of your fee schedule and explain how each fee amount is determined.

Item 4a. Explain what happens to individuals if they become unable to pay their portion of the cost. Include a copy of any printed materials used to inform the public about your established policy. Also, explain any steps you take to keep the

individuals at your facility or have them transferred to another facility.

Item 4b. If you have or expect to have arrangements, provide a description. Also, indicate whether you are subsidized for all or part of the cost of maintaining those residents who are unable to pay and provide the amount received.

If you do not have or expect to have arrangements, indicate "none."

Item 5. If you provide for the health needs of residents, explain the services provided. This can include activities such as providing for the daily needs of residents at your facilities, as well as transporting residents to other facilities for medical services.

If you do not provide for the health needs of residents, indicate "none."

Item 6a. Include in the description a detail of each unit and the common areas.

Item 7. A sample copy is one that has not been signed by one of your residents.

Item 8d. Include details of how the terms of the contract were negotiated. If an officer, director, or trustee participated on both sides of the negotiation, you must also explain how you resolved the conflict of interest to reach an unbiased decision.

Item 8e. Describe how you determined, or will determine, that the contract provides for reasonable compensation, including whether you considered comparable arrangements, obtained expert advice, or undertook other action.

Schedule G

General Information:

A "for-profit" organization is one in which an individual may have a proprietary or partnership interest, hold corporate stock, and/or otherwise have an ownership interest. This includes all sole proprietorships, corporations and other entities that were not specifically created as non-profit organizations.

You should complete this schedule if you took over the activities or assets of a for-profit organization, or you converted from for-profit to non-profit status. You should complete this schedule regardless of whether the for-profit organization actually made any profits.

As indicated in the general instructions to the Form 1023, the term "You" refers to the non-profit organization that is applying for exempt status under section 501(c)(3).

Item 1. Enter the name, address and employer identification number (EIN) of the for-profit organization and describe its activities. Explain why you converted from for-profit to non-profit status or why you took over the activities or assets of the for-profit organization.

Item 2. Enter the names of the owners, partners, principal stockholders, officers, and governing board members of the for-profit organization in the first column, their addresses in the second column and their percentage of shares or other ownership interest in the third column.

Item 3a. Answer "Yes" if any of the persons listed in item 2 are involved in the conduct of your activities.

Item 3b. If you answer "Yes" to item 3a, submit a list that identifies anyone in item 2 who is involved in the conduct of your activities. Describe their involvement with you and attach copies of any contracts or agreements you have with them and with any for-profit organizations that they own or control.

Item 4a. Answer "Yes" if you purchased or received a contribution of assets or liabilities from the for-profit organization or if you traded any assets with it.

Item 4b. If you answer "Yes" to item 4a, submit a list of assets received from the for-profit organization, including purchase price and fair market value at the time of transfer. Explain how you determined fair market value. If you paid more than fair market value for the assets, explain why.

Item 4c. Answer "Yes" if the for-profit organization put any restrictions on the use of the assets that it transferred to you.

Item 4d. If you answer "Yes" to item 4c, describe the restrictions and why you agreed to them.

Item 4e. Attach copies of any agreements regarding the sale or transfer of assets from the for-profit organization to you.

Item 5a. Answer "Yes" if you assumed any debts or liabilities from the for-profit organization.

Item 5b. If you answer "Yes" to item 5a, attach a list of the debts or liabilities that you assumed. Attach copies of relevant loan agreements and other documents about the debts or liabilities. Describe the reason you assumed the debts or liabilities, and how the amount of the debts or liabilities was determined.

Item 6a. Answer "Yes" if you lease or rent property or equipment from persons listed in item 2 or from a for-profit organization controlled, directly or indirectly, by those persons.

Item 6b. If you answer "Yes" to item 6a, attach a copy of each relevant lease or rental agreement and explain how the terms (e.g. amount, length of time, etc.) were negotiated.

Item 7a. Answer "Yes" if you lease or rent any property or equipment to any person listed in item 2 or to a for-profit organization controlled, directly or indirectly, by those persons.

Item 7b. If you answer "Yes" to item 7a, attach a copy of each relevant lease or rental agreement and explain how the terms (e.g. amount, length of time, etc.) were negotiated.

Schedule H

General Information:

Complete this schedule if you provide scholarships, fellowships, grants, loans or awards to enable individuals to pursue education. When answering the questions on this schedule, you should demonstrate how the distributions mentioned above further charitable

purposes. These types of distributions further charitable purposes by advancing education if they are made in a non-discriminatory fashion and are issued on the basis of need and/or merit. Awarding of scholarships, loans or awards to pre-selected individuals or on a lottery basis is not considered charitable within the meaning of section 501(c)(3) of the Code.

Item 1a. Terms and conditions of the awards and loan are what the applicant must do to get the award or loan including use restrictions, service requirements, etc., and what they must do to maintain it or have it renewed. Include details of any charitable or educational goals you hope to reach through your program. You should explain how you determine the specific amount and number of scholarships, fellowships, and other educational grants and loans to be awarded each year. If you have different award categories, describe and explain the purpose of each category.

Item 1b. If you award educational loans, describe the terms of the loan (e.g. interest rate, length of time, forgiveness provision, etc.). Also, describe involvement by any other loan institutions in your program.

Item 1c. Explain how you will publicize your program and whether you publicize to the general public or to another group of possible recipients. Include specific information about the geographic area in which the scholarships will be publicized, e.g. a school district, county, state.

Item 1d. Submit sample copies of your solicitation for applicants or materials announcing the awards. If solicitation is done verbally through school counselors or others, explain fully.

Item 1e. Submit a sample copy of the application individuals complete to apply for an award or loan.

Item 2. Answer "Yes" if you will keep records of the amount, purpose, recipient name, and selection procedures of each award you grant or loans you make. Your

records must also indicate any relationship of the recipient to members of your governing body, the selection committee, and donors of funds to you.

If “No,” explain how you will maintain control and discretion over the use of the awards or loans you administer. You must be able to show that the funds were awarded on the basis of need and/or merit and that there was no conflict of interest in the selection. If you are not able to demonstrate how your distributions serve charitable or educational purposes, you may not qualify for tax exempt status under section 501(c)(3) of the Code.

Item 3. Submit a description of the criteria used to determine who is eligible for your program. Include an estimate of how many individuals will be eligible using your criteria each year.

Item 4. Submit a description of your procedures for supervising the use of the funds you award (e.g. require reports or receipts, obtain grade transcripts, etc). Include details of what action you will take if you discover a violation of the terms and conditions of the award.

Item 5. Submit the names of your current selection committee members and describe your requirements to be a member. Also, describe how you replace committee members.

Item 6. Answer “Yes” if relatives of your selection committee or governing body are eligible for funds through your program.

If you answer “Yes,” explain how you resolve any conflict of interest to reach an unbiased decision. Include details of who may participate in any discussion or vote about the related individual.

Item 7a. Only complete this item if you are a private foundation (i.e., you answered “Yes” to Part XI, item 1.)

Answer “Yes” if you are a private foundation and you are requesting advance approval of your grant making procedures under section 4945(g).

Answer “No” if you are a private foundation but do not wish to request advance approval of your grant making procedures under section 4945(g). If you answer “No,” the amounts you distribute may be considered taxable expenditures and subject to a 10% excise tax under section 4945.

Answer “N/A” if you are requesting a public charity status (i.e., you checked a box for Part XI, item 5.)

See Publication 578 for more information about taxable expenditures and advance approval of grant making procedure of a private foundation.

Item 7b. Check the box for section “4945(g)(1)” if your award qualifies as a scholarship or fellowship grant that is awarded on an objective and nondiscriminatory basis and is used for study at a school (see the Schedule B general instructions for what is considered a school).

Check the box for section “4945(g)(2)” if your award qualifies as a prize or award that is subject to the provisions of section 74(b) and your recipient is selected from the general public.

Check the box for section “4945(g)(3)” if the purpose of your award is to achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the recipient. Include your educational loan program under this section.

Item 8. Answer “Yes” if eligibility for your award is based on the employment status of the individual or their relative.

If you answer “Yes,” submit a statement that describes how your grant making procedures comply with the seven conditions described in Publication 578 for: inducement, selection committee, eligibility requirements, objective basis of selection, employment, course of study, other objectives.

You must also indicate how you will meet the percentage test described in Publication 578. The seven

conditions and percentage test apply to both your employer-related grant and loan programs.